cellor \$175,0°C nance \$138,5°C nunsel \$129,9°C Affairs \$128,3°C rations \$128,5°C resident \$118.5°C

EXECUTIVE COMPENSATION IN CALIFORNIA'S PUBLIC UNIVERSITIES 1992-93



CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

Summary

The 1992-93 Budget Bill directed the Commission to review and comment on information provided by the California State University and the University of California on "the structure and amount of salary compensation (current and deferred cash benefits)" paid to systemwide and campus-based executives Both systems submitted reports detailing the total compensation package for their highest ranking executives effective January 1, 1993

Highlights of the Commission's review of the State University's report indicate that (1) In general, central office executives in the California State University earn more than campus presidents in that system (2) The mean salary for campus presidents in the California State University is \$120,534 for the year beginning January 1, 1993 (3) The chancellor and the presidents either live in houses provided by the system or receive housing allowances

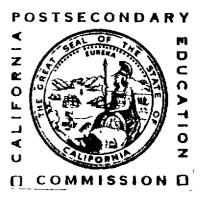
The University of California's report indicates that (1) The University revised specific features of its executive compensation program in December of 1992, including the phasing out of non-qualified deferred income plans, the elimination of severance pay for spousal associates and of a tax and financial planning program, and the addition of the stipulation that the president and campus chancellors should reside in University-housing if available and, if not, will receive a housing allowance (2) The mean cash compensation for chancellors in the 1993 year is \$163,186(excluding the San Francisco campus chancellor) and \$170,213for the eight chancellors whose compensation was included in the University's report. When non-qualified deferred income compensation is included, mean compensation rises to \$182,243 for the seven reporting general campus chancellors and \$189,875 including the San Francisco campus chancellor. (3) The president and chancellors will live in an University-owned home or receive a housing allowance.

The Commission recommends that future reports on this topic from the systems (1) delineate the factors that influence the development of compensation packages for specific executives in the systems, (2) provide some detail on the utilization of expense allowances, and (3) describe changes in the policies guiding the development of compensation packages for executives since submission of their last reports

The Commission adopted this document at its meeting on April 19, 1993, on recommendation of its Fiscal Policy and Analysis Committee Additional copies of the report may be obtained from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814

EXECUTIVE COMPENSATION IN CALIFORNIA'S PUBLIC UNIVERSITIES, 1992-93

A Report to the Governor and Legislature in Response to the 1992 Budget Act



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION 1303 J Street • Suite 500 • Sacramento, California 95814-2938



COMMISSION REPORT 93-4 PUBLISHED APRIL 1993

Contributing Staff Warren Halsey Fox and Penny Edgert

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Summary and Recommendations

HIS REPORT is the first in an annual series on the level and types of compensation earned by executives of the California State University and University of California as well as the policies that guide the setting of these compensation packages Pursuant to legislative intent, this report series includes information on total compensation -- salary, participation in deferred compensation programs, benefits including retirement, provision of housing and automobiles, and expense allowances

Origins of the report

During the past decade, the amount of total compensation (that is, both salary and benefits) received by executives of the California State University and the University of California has increasingly been scrutinized by California State decision makers and the public. Moreover, the policies and manner by which these compensation levels have been set in these two systems have generated considerable controversy. The perception that decisions by the governing boards of the State University and the University of California had been made in a less-than-open manner led to the passage of legislative language requesting that the two systems inform the Legislature of proposed changes in their executive compensation levels at least 60 days before the effective date of their implementation and that they annually report to the California Postsecondary Education Commission on the compensation packages received by their highest ranking executives. Regarding this latter request, the Legislature stated in the 1992-93 Budget Bill

It is the intent of the Legislature that the University of California and the California State University report to the California Postsecondary Education Commission on January 1 of each year, beginning on January 1, 1993, on the level of the total compensation package for executives of the University of California (including the president, senior and vice presidents, and campus chancellors) and the California State University (including the chancellor, senior and vice chancellors, and campus presidents), respectively Information on the total compensation package shall include detail concerning all of the following

- (1) The structure and amount of salary compensation (current and deferred cash benefits), including, but not limited to, all special supplemental income plans and nonqualified deferred income plans
- (2) Actual expenditure data associated with health and retirement ben-

1

efits and perquisites by all funding sources (including Non-General Funds), including, but not limited to, salary, insurance benefits, payment of federal and state income taxes, payment of property taxes, housing allowances, house maintenance allowances, benefits to spouses, subsidized interest rates, and expense accounts

It is the intent of the Legislature that the California Postsecondary Education Commission review the information provided and transmit its comments thereon to the Joint Legislative Budget Committee, the fiscal committees of each house, the appropriate policy committees of each house, and the Governor on or before March 1 of each year, beginning on March 1, 1993

Although this language was vetoed by the Governor, both systems responded to the Legislature's intent by submitting reports to the Commission detailing the total compensation package for its highest ranking executives effective January 1, 1993

Scope of the report

This report fulfills the Commission's responsibility for 1993 with respect to reviewing and commenting on the reports submitted by the California State University and the University of California In Part Two of the report, the Commission discusses the level and types of compensation earned by 26 executives of the California State University In Part Three, it reports on the nature and amount of the compensation earned by the 19 highest ranking executives of the University of California

While the Commission has focused this report narrowly in keeping with the legislative language, in its annual report on salaries of administrators at the State's public universities -- to be published next fall -- the Commission will analyze the salaries paid to campus-based executives in comparison to those earned by executives at similar institutions nationwide

Conclusions and recommendations

The Commission anticipates that this report series will provide the basis for informed, candid, and forthcoming discussions among California decision makers and the governing boards of the California State University and the University of California about executive compensation matters. To further those discussions, the Commission recommends that future reports from the systems

- 1 Delineate the factors that influence the development of, and differences between, compensation packages for their executives,
- 2 Provide some detail on the utilization by executives in 1993 of their entertainment and expense allowances, and
- 3 Describe any changes during the past year in the policies that guide the development of compensation packages for executives

The Commission expects to collaborate with the systems in preparing future re-

ports in this series that assist the State in understanding its public universities' executive compensation programs and the role that they play in hiring and retaining California's higher educational leaders

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Compensation for Executives in the California State University

HE REPORT submitted to the Commission by the California State University, which is reproduced in Appendix A, provides information on the policy framework that undergirds the setting of executive compensation levels in the system and details the specific compensation packages in existence as of January 1, 1993, for executives In the following paragraphs, the Commission summarizes the highlights of that document

The State University's policy on executive compensation

At its meeting on January 16, 1991, the Board of Trustees adopted the following "Statement of Executive Compensation" for administration of its Executive Compensation Program

The California State University is committed to establish and maintain an executive compensation program which is designed to attract and retain educational administrators who have experience and abilities to keep the CSU in the forefront of higher education

The compensation program must be competitive with that of major comprehensive univiersities to advance the educational vision of the CSU The compensation program must recognize attainment of institutional goals. The compensation program should also foster professional growth and encourage individual achievement within the CSU institutional setting.

Compensation for the 26 highest ranking executives of the State University

In keeping with legislative intent, the State University reported on the compensation packages to be earned by its 26 highest ranking executives as of January 1, 1993. Those executives include the chancellor, the two senior vice chancellors, the two vice chancellors, the general counsel, and the 20 campus presidents. Specific details of the compensation for each of these executives is reproduced from the system's report in Display 1 on page 6.

On a systemwide basis, this information can be summarized as follows

1 The systemwide executives receive higher base salaries than the campus presidents. This situation may, in part, be a function of the fact that five of the six systemwide executives have only recently been hired and their higher salaries may reflect increases in the competitive market today as contrasted to the market when many of the campus presidents were hired. With the exception

DISPLAY 1 Compensation for 26 Executives of the California State University, Effective January 1, 1993

			Deferred			Car (2)
	Title	Base Salary	Compensation	Ho	(1) prisuc	Allowance
				Provided	Allowance	
Executive						
	Chancellor	\$175,000	\$10,000	Provided		
	Sr. Vice Chancellor - Admin and Finance	\$138,504			\$18,000*	\$9,000
	Interm Sr. Vice Chancellor - Academic Affairs	\$128,304			\$18,000°	\$9,000
	Vice Chancellor - Business Affairs	\$128,304				
	Vice Chancellor - Human Resources/Operations	\$120,504				
	General Counsel	\$129,996				
Campus P	residents					
-	Bakersfield	\$118,212			\$3,600	
	Chico	\$122,880		Provided		
	Dominguez Hills	\$116,760			\$12,000	
	Fresno	\$115,956		Provided		
	Fullerton	\$115,956		Provided		
	Hayward	\$115,956			\$15,600	
	Humboldt	\$122,880			\$3,600	
	Long Beach	\$120,012		Provided		
	Los Angeles	\$124,020			\$8,400	
	Northridge	\$134,800			\$26,400	
	Pomona	\$115,956			\$12,000	
	Sacramento	\$124,020			\$4,200	
	San Bernardino	\$118,764			\$5,400	
	San Diego	\$122,292			\$7,200	
	San Francisco	\$120,012			\$24,000	1
	San Jose	\$115,956			\$12,000	'
	San Luis Obispo	\$124,020	F	Provided	•	
	San Marcos	\$115,956			\$22,800	
	Sonoma	\$117,960			\$12,000	
	Stanislaus	\$128,304			\$12,000	

⁽¹⁾ Non-state funds included in housing allowances for CSU Hayward (\$6,000), Northridge (\$14,400), and San Francisco (\$14,400)

Source Appendix A.

⁽²⁾ Campus presidents and executive staff without a specified allowance may use a state owned vehicle for business purposes

^{*} Senior Vice Chancellors' housing allowances to be implemented once funds are available

- of the Vice Chancellor-Human Resources/Operations, all systemwide executives for whom base salaries were reported this year are earning more or as much as all but one of the campus presidents this year
- The mean salary earned by a campus president for the 1993 year will be \$120,534, the median will be \$119,388 The salaries of presidents will range from \$115,956 at the Fresno, Fullerton, Hayward, Pomona, San Jose, and San Marcos campuses to \$134,500 at the Northridge campus
- 3 The only executive who will be participating in a deferred compensation program is Chancellort Munitz He will earn \$10,000 in deferred compensation in 1993
- 4 The 26 executives will receive the same benefits as general management staff members, including
 - medical, dental, and vision care at a cost of approximately \$4,800 per year which assumes two-party coverage for each executive,
 - life, accidental death, and long-term disability insurance.
 - contributions to the Public Employees Retirement System (PERS) at the rate of 9 497 percent of base salary, and,
 - contributions to Social Security and Medicare at the standard rate of 7 65 percent of base salary
- The chancellor and five campus presidents have houses provided by the system The other 15 presidents receive a housing allowance that ranges from \$3,600 at Bakersfield and Humboldt to \$26,400 at Northridge, with three of these presidents receiving a portion of their housing allowance from non-State funds. The report indicates that the system intends to provide housing allowances of \$18,000 annually to the two senior vice chancellors when funds become available for this purpose.
- 6 Except for the two senior vice chancellors who receive \$9,000 annually as a car allowance, all other executives will be able to use State-owned vehicles on an as-needed basis for State University-related travel
- The chancellor and each campus president will receive an entertainment allowance of \$3,600 per year. This allowance is intended to provide resources for conducting official State University and institutional development activities. The other five systemwide executives receive \$1,000 annually as an entertainment allowance. These allowances are not reported as income for tax purposes as they are intended to support tax deductible business expenses.

Concerns of the State University with respect to its executive compensation program

The report submitted by the California State University expressed several concerns with respect to the present operation of its Executive Compensation Program

In relation to executives in comparable institutions nationwide, executives in this system are "dramatically underpaid" -- an area for exploration in an annual

- report that the Commission will complete this fall
- 2 The present compensation earned by executives in the system are unreflective of position, size or complexity of the institution, performance, or longevity in a position
- 3 Equity in terms of salary and benefits for current executives must be taken into consideration and ensured as the system recruits new executives
- A priority for the system is to secure university-owned housing for all campus presidents. If such housing is not available for purchase by the University, a housing allowance policy should be established that considers the reality of California's real estate prices and the increasing demands placed on the presidents to use their residences to conduct official university business.

Compensation for Executives in the University of California

HE REPORT submitted to the Commission by the University of California, which is reproduced in part in Appendix B, provides information on current policies that guide the Executive Compensation Program in the University It explains the recent changes of the Regents in compensation policies and practices and reports the current policies that became operational as of January 1, 1993

The University's policy on executive compensation

Among the principles that undergird the new policy are

Total cash compensation shall serve to maintain a competitive market position and recognize individual performance,

Executive compensation programs shall be clear and simple to enhance internal and external understanding of the basis for and components of compensation, and,

The methodology for establishing executive pay levels shall continue to be parallel to that utilized for faculty and staff and, therefore, shall include the following elements—use of market surveys of comparable positions at comparable public and private universities, review of internal relationships, and consideration of recruitment and retention experience

Special benefits provided to senior executives shall be determined on the basis of their prevalence among comparable public and independent universities and the extent to which they are beneficial to the University in recruiting and retaining key personnel

Change in executive compensation policy over the last year

Based on recommendations of A Alan Post, California's former Legislative Analyst, and subsequent discussions among the Regents, the Regents this past fall changed the University's policy on executive compensation. The most significant modifications are as follows

- The non-qualified deferred income plans (NDIPs) will be phased out as of December 31, 1993 The total cash compensation paid to executives who participated in these plans will remain the same, but the previously deferred compensation will become part of the executive's base salary
- 2 The University will provide housing for its president and chancellors Only if

the University is unable to provide suitable housing will the University provide a housing allowance to the executive Moreover, the value of the house or housing allowance will no longer be included in the amount upon which the University of California Retirement Plan (UCRP) computes benefits for the executive

- The University will discontinue its Executive Tax and Financial Planning Program
- 4 The special augmentation to the severance pay plan on behalf of associates of the President or Chancellors has been suspended. That is, the President's or Chancellors' spouses will not receive further contributions to severance pay upon separation from the University.
- 5 The optional life insurance benefits for executives will be a maximum of two, rather than three, times their annual salary
- 6 Supplemental vacation for executives will be discontinued

Compensation for the 19 highest ranking executives of the University

The University's report on the compensation packages offered to its 19 highest ranking executives as of January 1, 1993, includes the president, the two senior vice presidents, the three vice presidents, the general counsel, the treasurer, the associate treasurer, the secretary of the Regents and the nine campus chancellors Specific details of the compensation for each of these executives is reproduced from the system's report in Display 2 on pages 12 and 13

In the next section which summarizes the information on Display 2 on a systemwide basis, the computations exclude the Chancellor of the Irvine campus because that position was vacant at the time of the submission of the University's report A summary of this information reveals

- The mean base salary that University chancellors will earn in 1993 at the seven general campuses included in the University's report is \$163,186. When the salary of the chancellor of the San Francisco campus -- a portion of which is from non-State funds -- is included in the calculation, the mean total cash compensation rises to \$170,213. The median total cash compensation for the chancellors of the seven general campuses included in the report will be \$160,600.
- 2 Eight chancellors will continue to participate in a non-qualified deferred income plan but only through the end of 1993, including the chancellor at the San Francisco campus until his retirement on July 1, 1993. When the amount of this deferred compensation is included in the computation of mean compensation, the mean total cash compensation rises to \$182,243 for the chancellors at the seven general campuses included in the report and \$189,875 when salaries for the eight chancellors are included
- 3 Seventeen executives -- including President Peltason, who recently took office -- will participate in a non-qualified deferred income plan through 1993 After 1993, only the president will participate in this plan

- 4 Three University executives -- the president, the senior vice president for administration, and the chancellor at UCLA -- will participate in a Special Supplemental Retirement Program that is based upon a percentage of base salary
- The president and all chancellors but one will live in University housing that is maintained through non-State funds. The senior vice president for administration and the UCLA chancellor will receive a housing allowance of \$41,710 annually from non-state funds. A housing allowance will not be provided to senior vice presidents appointed in the future.
- 6 Five of the 19 executives are receiving an University home mortgage loan from non-State funds The loans range from \$209,050 to \$497,500
- 7 All 19 executives will receive 5 percent of their base salary for each year of service in the position as severance pay when they separate from the University Funds for the severance pay plan come from non-State sources
- 8 All 19 executives, except the chancellor at Davis, who has an University-owned vehicle to use for official business, either lease a car through the University or will receive \$8,412 as an automobile allowance in 1993
- 9 All 19 executives may participate in the Executive Life Insurance Program that will provide two times their salary (rather than three times) as a benefit beginning on April 1, 1993
- 10 These 19 executives will receive the same benefits as career employees in the University, including
 - medical, dental, and vision care at a cost of approximately \$4,230 per year,
 - life, accidental death, and long-term disability insurance,
 - participation in the University of California Retirement Plan (UCRP) at the rate of 11 62 percent of base salary, and
 - contribution to Social Security and Medicare at 7 65 percent of base salary
- 11 With respect to expense accounts, the University has a set of procedures that govern reimbursement of expenses either from its regular operating funds or the administrative fund. Details on those procedures are contained in the University's report. In general, the University reimburses executives for official travel, entertainment, and related expenses "undertaken not for the benefit, convenience, or welfare of the individual officer but for the benefit, convenience, and welfare of the University of California and, thus, ultimately the people of California." (September 2, 1992, letter reproduced in Appendix B)

DISPLAY 2 Compensation for 19 Executives of the University of California, Effective January 1, 1993

	Regular Compe Annual	eneation .	Deterred Compensation Annual		
Title	Base Salary All Funds	State Funded Portion	Face Value of Basic NOIPs	A	Total Cash Compensation
President	\$243,500	\$97 400	\$36 500		\$260,000
Senior Vice PresidentAdministration	176,200	70 480	23 000		189,200
Senior Vice PresidentAcademic Affairs					
Vice President—Budget & Univ. Rislations	180,500	64 200	19 500		180,000
Vice President—Health Affeirs	158,800	63,520	19,300		178,100
Vice PresidentAGNR	154,200	146 490	18,700		172,900
General Counsel of The Regents	176,900	70,720	19,400		196,200
Treasurer of The Regents	211,400	84,560	27,000		238,400
Associate Treasurer of The Regents	162, 90 0	65,160	11,700		174,800
Secretary of The Regents	110,800	44,320	5,500		116,300
Obenceller, UCB	175,000	175,000	16,500		191,500
Chancellar UCD	160,600	160,600	21,000		181,600
Chancellor, UCI					
Chancellor, UCLA	181,300	181,300	23, 6 00		204,900
Chencellor, UCR	150,000	150,000	15,000		185,000
Chancellor, UCSD	167,600	167, 6 00	21,800		189,400
Chancellor, UCSF	219,400	138,222	23,900		243,300
Chancellor, UCSB	157,800	157,800	20 500		179,300
Chancellor, UCSC	150,000	150,000	15,000		196,000

A. Non-State funds

- B Current estimated annual amount accrued if no forfeiture obsurred. With the exception of the President, NDIPs will estimate will remain the same. No new NDIPs will be provided.
- C Provisions of the 1996 Tax Reform Act eliminated employer contributions to the 403(b) Supplemental Retirement Plan as of same value as in effect on December 31, 1988. This amount is the annual contribution which earns interest. NDIP #3 expire
- President Petason SSR 1 benefit is a monthly benefit calculated at 1/12th of 10% of Chancellor Petason's final year's ann SSR benefit, to be paid as a lump sum at retirement, is calculated at 13% of President Petason's annual base salary for each 10% of 1/12th of Highest Average Plan Compensation, for the number of months served as Senior Vice President and discontant and discontant of the number of months served as Chancellor and discounted to present value. An addition University defined benefit retirement plan and the maximum benefits permitted by IRC Sections 401(a)(17) and 415. These
- E. No langer receives a cash allowance, but uses a University-twined vehicle for University business
- F In addition to providing a University house, per Regental action of Hovember, 1990, the University leases the Chancellor's r
- G Premium for life insurance coverage of three times annual base salary paid by UC, executive pays income tax on imputed i-
- H Premium for life insurance coverage of two times annual base salary paid by UC, executive pays income tax on imputed in
- I Severance Accrual for Associate suspended effective January 1, 1993 by Regental action of December 10, 1992

. .. __ - - - -

J The imputed value of the house or housing allowance will be excluded from covered compensation for purposes of the UC be provided for newly appointed Senior Vice Presidents

Source Appendix B

Retire	me/	nt Benefits Strecial			-	Housing	J		ŧ	Executive Program Severance Pay Plan	m ı	c	Other		
NDIP #3 Substitute for 403(b)	A C	Supplemental Patirement Program	A	University House Utilized	A	Housing Allowance Annual	A	Home Mortgage Loen	A	% Severance Accrual For Executive	A	Leased Auto/ Allowance		xecutive Life surance	•
\$0		YES	D	YES		NO		NO		5%		Leased Auto		YES	
25 326		YES	D	NO		\$41 710		\$209 050		5%		\$8 412		YES	
22 806		NO		NO		NO		NO		5%		Leased Auto		YES	
15,264		NO		NO		NO		408,100		5%		8,412		YES	
11,984		NO		NO		NO		240,000		5%		Leased Auto		YES	
10,674		NO		NO		NO		NO		5%		Leased Auto		YES	
27,368		NO		NO		NO		NO		5%		Leased Auto		YES	
16,178		NO		NO		NO		NO		5%		8,412		YES	
18,116		NO		NO		NO		NO		546		Leased Auto		YES	н
0		NO		YES		NO		NO		5%		Leased Auto		YES	
15,388		NO		YES		NO		NO		5%		NA	E	YES	
27,542		YES	D	NO		41 710		497 500		5%		Leased Auto		YES	
0		NO		YES		NO		NO		5%		Leased Auto		YES	
20,634		NO		YES		NO		NO		5%		8 412		YES	
21,916		NO		YE8	F	NO		300,000		5%		Leased Auto		YES	
14,650		NO		YES		NO		NO		5%		Leased Auto		YES	
0		NO		YES		NO		NO		5%		8,412		NO	į

to been salary in three stope (January 1, 1983, July 1, 1983, and December 31, 1983). Total cash compensation

January 1, 1969 NDIP #3 substitutes for the former 403(b) Plan, but is at risk of forfeiture and remains the se January 1, 1994

ual base salary, and is paid for the number of months served as Chancellor and as President. An additional this year of service as President. Senior Vice President Brady. SSR 1 benefit is a lump sum payment equal to unted to present value. Chancellor Young. SSR 1 benefit is a lump sum payment equal to 10% of 1/12th of Highest at benefit, SSR 2, indemnifies Chancellor Young for the difference between retirement benefits under the applicable benefits are at risk until retirement.

rivetely owned off-campus residence and subleases it until the Chancellor moves from the campus residence noome value. Coverage will be reduced to two times annual base salary effective April 1, 1993 some value, available to all executives.

Retirement Plan as NDIPs are converted to base salary or by January 1, 1984. A house or housing allowance will not

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THE CALIFORNIA STATE UNIVERSITY

BARBARIELD • CHICU • DUMENCURZ HELLS • m SACRAMENTO • SAN BRINGARDINO SAN I NO PULLERTON - HAYWARD HUMBULDI - LONG BEACH GO SAN PRANCESCO SAN JOSE - SAN LUIS ORISPO



LUS ANCHES MURIPHULEE POMENA SAN MARCOS • SONOMA • STAMBLAUS

BARRY MUNITZ Chancellor

January 19, 1993

Dr. Warren H Fox, Ph D **Executive Director** California Postsecondary Education Commission (CPEC) 1020 Twelfth Street, Third Floor Sacramento, CA 95814-3985

Dear Warren.

I have enclosed The California State University (CSU) executive compensation information for you to include in your March report to the Legislature. Even though the Supplemental Language to the 1992/93 Budget Act requesting the CSU to report total executive compensation to CPEC was vetoed by the Governor, the CSU wants to work together with you to provide the Legislature the requested information. As the enclosed information illustrates, CSU executives are dramatically underpaid when contrasted with comparable institutions throughout the country. In the near future, we will need to recruit campus presidents and the lack of competitive salaries will make recruitment extremely difficult

If members of your staff have questions about the details provided in the enclosed CSU executive compensation report, they may contact Cathy Robinson at (310) 985-2657

Sincerely,

Barry Munitz Chancellor

BM/cr

Enclosure

400 Golden Shore, Long Beach, California 90802-4275

INFORMATION (310) 985-2500

California State University Executive Compensation January 1993

The California State University (CSU) system is pleased to respond to the California Postsecondary Education Commission's (CPEC) request for executive compensation information. It is in the interests of the CSU to maintain an open dialog with CPEC, the legislature, and the public concerning the role of compensation in recruiting and retaining high quality and experienced leadership to ensure fulfillment of the mission of the CSU and higher education in the State of California. The following report addresses the CSU's compensation policy and provides executive compensation expenditure data

Executive Compensations

The following Statement of Executive Compensation, adopted by the Board of Trustees on January 16, 1991, provides a policy framework for administration of the CSU executive compensation program.

The California State University is committed to establish and maintain an executive compensation program which is designed to attract and retain educational administrators who have experience and abilities to keep the CSU in the forefront of higher education.

The compensation program must be competitive with that of major comprehensive universities to advance the educational vision of the CSU. The compensation program must recognize attainment of institutional goals. The compensation program should also foster professional growth and encourage individual achievement within the CSU institutional setting.

Recent experiences in the loss of presidents and difficulties in recruiting qualified candidates serve to highlight the inadequacy of the CSU's executive compensation program. CSU executives are dramatically underpaid when contrasted with comparable institutions throughout the country and their compensation does not generally reflect position, institutional complexity, executive performance and length of service.

Executive compensation discussions have taken place with the CSU Board of Trustees that focused on the serious external competitive problems and internal inequities in the CSU executive salary and housing programs.

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CSU Executive Compensation January 1993 Page Two

It is recognized that now is not the proper time to adjust compensation for current executives, but as the CSU addresses housing and salary for newly recruited executives it is critical to explore ultimate goals for fair treatment of executives currently in position.

Additionally, it is important the CSU continues its goal of securing universityowned housing for campus presidents and where CSU owned housing is not available, housing allowances should reflect real estate prices and the increased expectations placed on executives for public relations and fund raising activities.

Executive Benefits

CSU executives are provided with the same general benefits as the general management group, with the exception of an annual physical examination. Health, welfare, and retirement benefit expenditure data is provided below to assist in the assessment of sources of executive compensation.

Monthly CSU Benefit Costs

Medical	\$341 00 *
Dental	\$ 53 99 *
Vision	\$ 7.52
Life/Acc Death Insurance	\$ 11 50
Medicare/OASDI	7 65% of base salary
PERS Retirement	9.497% of base salary
Long-Term Disability	.35% of base salary

^{*} Cost for two party coverage

The CSU also provides mandated benefits to executives in the areas of industrial and non-industrial disability, workers compensation and unemployment insurance. These are the same programs offered to CSU general management employees.

CSU Executive Compensation January 1993 Page Three

Peimbursable Expenses

Campus presidents receive a nominal entertainment allowance of \$300 per month from the State's General Fund to defray costs incurred in the course of conducting official university and institutional development activities. Additionally, the Chancellor receives a \$300 per month entertainment allowance while other Chancellor Office executives receive \$83.33 per month. The allowance is not reported as taxable income as it is available for expenses that are tax deductible business expenses.

Business expenditures that incur in the performance of duties are reimbursed according to the Internal Regulations Governing Reimbursement for Travel Expenses and Allowances, Rates for Housing and Lodging.

CSU Recutive Compensation Report

Compensation includes base salary, deferred salary, housing allowances and automobile allowances. Attachment A provides compensation data for CSU executive staff as of January 1, 1993.

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CSU EXECUTIVE COMPENSATION REPORT General Fund and Non-State Annual Expenditures (January 1, 1993)

		(, .,	Deferred			Car (2)
Name	Title	Base Salary	Compensation	Total He	ousing (1)	Allowance
		_		Provided	Allowance	7 11.0 17.017.00
Executive	Staff					
Munitz	Chancellor	\$175,000	\$10,000	Provided		
Broad	Sr Vice Chancellor - Admin and Finance	\$138,504			\$18,000*	\$9,000
Haak	Interim Sr. Vice Chancellor - Academic Affairs	\$128,304			\$18,000*	\$9,000
Mesener	Vice Chancellor - Business Affairs	\$128,304				
Cooper	Vice Chancellor - Human Resources/Operations	\$120,504				
Gomez	General Counsel	\$129,996				
Cempus P	reeldents					
Arciniega	Baker sfield	\$118,212			\$3,600	
Wilson	Chico	\$122,880		Provided	00,000	
Detweller	Dominguez Hills	\$116,760			\$12,000	
Welty	Fresno _	\$115,966		Provided	*	
Gordon	Fullerton	\$115,956		Provided		
Rees	Hayward	\$115,956			\$15,600	
McCrone	Humboldt	\$122,880			\$3,600	
McCray	Long Beach	\$120,012		Provided		
Rosser	Los Angeles	\$124,020			\$8,400	
Wileon	Northridge	\$134,800			\$26,400	
Suzuki	Pomona	\$115,956			\$12,000	
Gerth	Sacramento	\$124,020			\$4,200	
Evens	San Bernardino	\$118,764			\$5,400	
Day	San Diego	\$122,292			\$7,200	
Corrigan	San Francisco	\$120,012			\$24,000	
Evens	San Jose	\$115,956			\$12,000	
Baker	San Luis Obispo	\$124,020	ſ	rovided	,	
Stacy	San Marcos	\$115,956			\$22,800	
Arminana	Sonoma	\$117,960			\$12,000	
Kerschner	Stanislaus	\$128,304			\$12,000	

⁽¹⁾ Non-state funds included in housing allowances for CSU Hayward (\$6,000), Northridge (\$14,400), and San Francisco (\$14,400)

⁽²⁾ Campus presidents and executive staff without a specified allowance may use a state owned vehicle for business purposes

^{*} Senior Vice Chancellors' housing allowances to be implemented once funds are available

UNIVERSITY OF CALIFORNIA

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January 19, 1993

Warren H. Fox, Executive Director California Postsecondary Education Commission 1020 Twelfth Street, Third Floor Sacramento, California 95814-3985

Dear Warren:

In response to your letter of November 23, I am pleased to send our report on the total compensation package for University of California executives, which responds to the intent of the vetoed Supplemental Language to the 1992-93 State Budget. Included is a narrative which explains the changes to the Executive Compensation program recently approved by The Regents, as well as a chart indicating the specific compensation for the President, Vice Presidents, Principal Officers of The Regents, and Chancellors. In addition, I have included information on the University's health and welfare benefits package which is provided to all career employees, and our policies and procedures for expense accounts.

Assistant Director Edgert of your staff informed us in December that the deadline for receipt of the report was January 22, 1993. We appreciate her assistance in working with us to develop the format and content of this first edition of what will be an annual report. Please let me know if you have any questions.

Cordially

J. W. Peltason

Enclosure

CC: Senior Vice President Brady
Interim Senior Vice President Schwartz
Associate Vice President Moore
Assistant Vice President Justus
Assistant Vice President Levin
Assistant Vice President Switkes
Director Arditti

transferred to the

1992-93 ANNUAL REPORT ON COMPENSATION OF SENIOR EXECUTIVES UNIVERSITY OF CALIFORNIA

I. Executive Compensation

1

On December 10, 1992, The Regents approved the following policies on salary setting for the Executive Program:

POLICY ON SALARY SETTING FOR THE EXECUTIVE PROGRAM

- (1) Total cash compensation shall serve to maintain a competitive market position and recognize individual performance;
- (2) Executive compensation programs shall be clear and simple to enhance internal and external understanding of the basis for and components of compensation; and
- (3) The methodology for establishing executive pay levels shall continue to be parallel to that utilized for faculty and staff and, therefore, shall include the following elements: use of market surveys of comparable positions at comparable public and private universities; review of internal relationships; and consideration of recruitment and retention experience. The methodology to be implemented follows:
 - (a) The University shall adopt the UC/CPEC common methodology for market surveys for Chancellors' compensation, which utilizes the All University Set of 26 public and private universities, and calculates comparisons to the market average, expressed in terms of leads and lags (comparisons to the Comparison 8 will continue to be provided).
 - (b) The University shall establish the target for the average total cash compensation of Chancellors as being approximately the mean of the All University Set, with actual distribution based on scope, size, complexity, and quality of each campus; performance and experience of each individual; and recruitment and retention experience.
 - (c) The University shall use internal relationships, coupled with the performance and experience of the individual, and recruitment and retention experience, to determine compensation for other executives, supplemented by specialized surveys for positions not adequately represented in the All University Set.

25

To implement this policy, The Regents approved a three step plan to phase-out deferred compensation by December 31, 1993, and convert deferred compensation to base salary, dollar for dollar. The result is that by December 31, 1993, the total compensation of affected executives will be the same as on January 1, 1993; however, the compensation previously provided in the form of non-qualified deferred income plans will be provided in the form of base salary. Attachment A displays total compensation reflecting the first step of the phase-out.

II. Special Benefits for Executives

On December 10, 1992, The Regents approved the following policy:

POLICY ON SPECIAL BENEFITS FOR THE EXECUTIVE PROGRAM

Any special benefits provided to senior executives be determined on the basis of their prevalence among comparable public and private universities, and the extent to which they are beneficial to the University in recruiting and retaining key personnel.

To implement that policy, The Regents approved the following changes to benefit programs:

- 1. Amended the Policy on University-Provided Housing for application prospectively to require the President and Chancellors to live in a University house, with the alternative of a housing allowance provided only if suitable University housing is not available; and to provide for either a house or a housing allowance, but not both; and approve the President's intent to discontinue the inclusion of the value of the house or housing allowance in the definition of covered compensation for the UCRP pension plan, effective January 1, 1994, to be phased out as the base salary increases occur as a result of the NDIP phase out.
- Approved the President's intent to discontinue the Executive Tax and Financial Planning Program, effective January 1, 1993;
- Approved the suspension of the Special Augmentation to the severance pay plan for Associates of the President/Chancellors, effective January 1, 1993;
- 4. Approved a reduction in the coverage of the Executive Life Insurance Program from three times salary to two times salary for Executive grades C, D and E, so as to

be consistent with grades A and B, effective April 1, 1993.

 Approved the elimination of supplemental vacation for executives, effective January 1, 1993.

Attachment A reflects the above program changes that are effective January 1, 1993.

III. Health. Welfare. and Retirement Benefits

Executives at the University of California receive the same health, welfare, and retirement benefits provided to all career employees. Attachment B indicates the average cost of these benefits. Actual costs for individuals will vary according to the plan and coverage selected.

IV. Expense Accounts

Executives at the University of California are subject to guidelines regarding reimbursement of business expenses, which are contained in Attachment C. In addition, the most senior executives are eligible for reimbursements of business expenses from the Administrative Fund. Guidelines for this fund are contained in Attachment D.

ATTACHMENT A

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ATTACHMENT B

HEALTH, WELFARE, AND RETIREMENT BENEFITS FOR UNIVERSITY OF CALIFORNIA CAREER EMPLOYEES 1992 COMPOSITE COST

Medical	\$ 306.76
Dental	36.66
Optical	8.97
Life	5.90
Disability	7.63
Unemployment Ins.	.13% ¹
UC Retirement Plan	11.72% (non-Safety); 12.45% (Safety)
Medicare/OASDI	7.65%

'Calculations for unemployment insurance are done on a periodic basis. The percentages change based on assessment rates. The rates vary by personnel program but the claim costs are unavailable at this level of detail. The total 9-campus unemployment insurance benefit charges divided by the total 9-campus unemployment insurance covered wages for fiscal year 1991/92 were used in the calculations. Formula = Total UI Claims Paid/Total UI Covered Payroll.

²Value of one year of service. Currently not funded due to full-funding limit of UC Retirement Plan.

UNIVERSITY OF CALIFORNIA

ATTACHMENT D

BERNELEY DAVIS IRVINE LOS ANGELES RIVERSIDE SAN DIEGO SAN FRANCISCO



SANTA BARBARA

SANTA CRUZ

DAVID PIERPONT GARDNER
President

OFFICE OF THE PRESIDENT 300 LAKESIDE DRIVE OANLAND, CALIFORNIA 94612 3550

September 2, 1992

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

I am writing to offer some comments and background about the Auditor General's report, "A Review of the University of California's Executive Compensation, Benefits and Offices," preparatory to our discussion of that report at the September meeting of the Board As you may recall, the review was requested in April 1992 by the Joint Legislative Audit Committee The University welcomed this review and participated fully and cooperatively in its preparation, as the Auditor noted The University will respond within 60 days to the Auditor's recommendations, following a review of the report by The Regents in September

The Administrative Fund (funds derived from non-state sources and earmarked for use by certain University officers for official travel, entertainment, and related expenses) helps those of us charged with administrative responsibility for this institution to do our jobs in carrying out the University's farflung academic and administrative activities; in helping to recruit outstanding individuals to the University's ranks, and in extending and enhancing the University's relationships with its many and varied constituencies—its alumni and donors, its students, faculty, and staft, its many communities worldwide, and government at all levels. This important work is undertaken not for the benefit, convenience, or welfare of the individual officer but for the benefit, convenience, and welfare of the University of California and, thus, ultimately the people of California.

As you will have noted, the Auditor identified no significant findings of policy violations or of unauthorized expenditures. However, some needed changes in the use of Administrative Funds have been suggested by the Auditor. These changes are needed, in my opinion, and should be made promptly. Thus, consistent with authority delegated by the Board to the President, I am directing that the following modifications be made in the Administrative Fund guidelines (current guidelines attached) to be effective immediately

Section

- C1 First-class airfare cannot be charged to the Fund unless no other class of airfare is available or unless there is a demonstrated physical need or business necessity
- Business meals with other University employees may be charged to the Fund only under circumstances when a clear University business purpose can be documented. Mere personal convenience does not meet this test

- C3 The purchase of property for personal use will not be permitted under any circumstances
- Gifts or contributions to outside individuals or organizations will be permitted only if it can be demonstrated that the gift or contribution will benefit the University or is clearly seen as needful to the University in helping meet its role as a good community citizen. All such gifts and contributions must be made on behalf of the University of California. A statement to this effect, written on official University letterhead, must accompany all such gifts and contributions.

I will have more to say on this topic at our September meeting, but wished The Regents to have these comments as background for their review and discussion of the Auditor General's report.

id Pierpont Gardner

Enclosure

Please note To save costs, the California Postsecondary Education Commission has not reproduced the lengthy Attachment C or the appendices to this Attachment D of the University's report. Copies of those materials may be obtained from the Commission

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

HE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor

As of April 1993, the Commissioners representing the general public are

Henry Der, San Francisco, Chair C Thomas Dean, Long Beach, Vice Chair Mim Andelson, Los Angeles Tong Soo Chung, Los Angeles Helen Z Hansen, Long Beach Mari-Luci Jaramillo, Emeryville Lowell J Paige, El Macero Stephen P Teale, M D, Modesto

Representatives of the segments are

Alice J Gozales, Rocklin, appointed by the Regents of the University of California,

Yvonne W Larsen, San Diego, appointed by the California State Board of Education,

Timothy P Haidinger, Rancho Santa Fe, appointed by the Board of Governors of the California Community Colleges,

Ted J Saenger, San Francisco, appointed by the Trustees of the California State University,

Kyhl M Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and

Harry Wugalter, Ventura, appointed by the Council for Private Postsecondary and Vocational Education

The student representatives are

Christopher A Lowe, Placentia Beverly A Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public post-secondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs"

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of post-secondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California By law, its meetings are open to the public Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph D , who is appointed by the Commission

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 98514-2938, telephone (916) 445-7933



EXECUTIVE COMPENSATION IN CALIFORNIA'S PUBLIC UNIVERSITIES, 1992-93

Commission Report 93-4

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Single copies may be obtained without charge from the Commission at 1303 J Street, Fifth Floor, Sacramento, California 95814-2938 Recent reports include.

- 92-25 Meeting the Challenge Preparing for Long-Term Change in California Higher Education, by Warren H Fox Report of the Executive Director to the California Postsecondary Education Commission, August 24, 1992 (August 1992)
- 92-26 California College and University Exchange Programs with Mexico A Staff Report in Response to a Request from the 1991 United State-Mexico Border Conference on Education (October 1992)
- 92-27 Appropriations in the 1992-93 State Budget for Higher Education A Staff Report to the California Postsecondary Education Commission (October 1992)
- 92-28 Legislation Affecting Higher Education During the Second Year of the 1991-92 Session A Staff Report to the California Postsecondary Education Commission (October 1992)
- 92-29 Eligibility and Participation in California's Public Universities in the Year 2000 Projections by the Staff of the California Postsecondary Education Commission (October 1992)
- 92-30 Proposed Construction of Folsom Lake College in the Los Rios Community College District A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges (December 1992)
- 92-31 Proposed Construction of the Lompoc Valley Center in the Allan Hancock Joint Community College District A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges (December 1992)
- 93-1 Legislative and State Budget Priorities of the Commission, 1993 A Report of the California Postsecon-dary Education Commission (February 1993)
- 93-2 Expenditures for University Instruction A Report to the Governor and Legislature in Response to Supplemental Report Language for the 1991 Budget Act (April 1993)
- 93-3 Faculty Salaries in California's Public Universities, 1993-94 A Report to the Legislature and the Governor in Response to Concurrent Resolution No. 51 (1965) (April 1993)
- 93-4 Executive Compensation in California's Public Universities, 1992-93 A Report to the Governor and Legislature in Response to the 1992 Budget Act (April 1993)
- 93-5 Status Report on Human Corps Activities 1992 The Last in a Series of Five Progress Reports to the Legislature in Response to Assembly Bill 1820 (Chapter 1245, Statutes of 1987) (April 1993)
- 93-6 The Master Plan, Then and Now Policies of the 1960-1975 Master Plan for Higher Education in Light of 1993 Realities (April 1993)
- 93-7 The Restructuring of California's Financial Aid Programs and Its Short-Term Aid Policy Recommendations of the California Postsecondary Education Commission (April 1993)
- 93-8 Undergraduate Student Charges and Short-Term Financial Aid Policies at California's Public Universities Recommendations of the California Postsecondary Education Commission (April 1993)